

ZAGREB

# Office Market Snapshot

First Half | 2019

CUSHMAN & WAKEFIELD

CBS INTERNATIONAL

## Overview

Office market is the most mature property segment of the Zagreb commercial real estate sector and is already well developed thanks to a high level of investments over the past years. Majority of office supply is located in city center (including Central Business District, Center, Novi Zagreb, Business District East and Business District West). Thanks to the completion of three office buildings in first six months of 2019, Zagreb modern office stock was pushed to the level of app. 1.4 million sq m of GLA, including class A and class B office space, as well as speculative and owner-occupied office space.

## Occupier focus

Transactions were mostly driven by relocations and pre-leases. Such a trend has been constant over the recent period as companies continue to migrate to more flexible and high-class office schemes (relocation of Tele2, Novartis, Q Software, Hrvatski Telekom, Securitas, Infobip, Vertiv). On the occupiers' side, the focus is on superior quality of office premises, layout flexibility, as well as additional amenities and more comfortable workspace for tenants. Consequently, landlords are giving significant incentives in order to keep their clients and to prolong their contracts. High-tech sector and IT industry continues to be the most important market driver with the largest share of take-up in the first half of 2019. Location-wise, the most preferred locations remain CBD, city center and business district east.

## Investor focus

In response to the stable demand for office space recorded in 2018, the investors work intensively on new projects. Nearly 40,000 sq m GLA of new office space was delivered to the market in H1 2019, close to the figures achieved in the whole 2018. The future supply will continue to rely mainly on modern office and mixed-used projects, which are in final stages of construction or announced for development. The new projects should correspond the market demand for premium office space developed in accordance with the international building certification standards.

## Prime Office Rents and Vacancy Rate

The asking rental values of Class A office buildings slightly increased and now vary between EUR 12.5-14/sq m/month, while the average rents of Class B stock amount to EUR 9-11/sq m/month. Even though the completion of several office schemes in H1 2019 caused the stock increase, the strong absorption of new space has retained the vacancy at the similar level, being only marginally decreased to the level of 4.5%. Due to the occupiers' relocation to higher class offices, class B office premises registered slight increase in vacancy rate in H1 2019. Prime yields vary between 7.75-8.00%.

## MARKET INDICATORS

### Market Outlook

Prime Rents:	Slightly increased, forecasted to remain stable	▲
Prime Yields:	Prime office yields slightly decreased	▲
Supply:	Several developments are in the pipeline for 2019	▲
Demand:	Leasing activity is expected to remain stable, the share of the pre-leases on rise	▶

### Development activity - H1 2019

PROJECT	INVESTOR	SIZE SQ M GLA	STATUS
Matrix Office Park 1 <sup>st</sup> phase	GTC	10,000	Completed
R21	R21 Projekt	23,500	Completed
VMD Zaprudski Otok	VMD Grupa, Sollicitudo	6,300	Completed
Matrix Office Park 2 <sup>nd</sup> phase	GTC	10,000	Under construction
Euro Daus Office Building	Euro Daus	7,700	Under construction
Infobip Campus	Infobip	n/a	Planned
Crystal Tower	SG Kristali	n/a	Announced
Seven Gardens	GTC	60,000	Announced

Source: CBS International, part of Cushman & Wakefield Group



GTC Matrix Office Park, 1<sup>st</sup> phase, 10,000 sq m GLA

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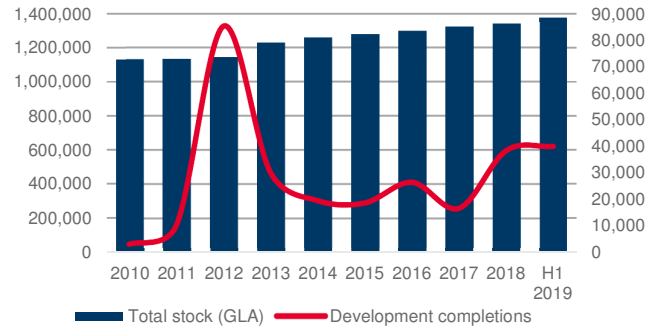
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Outlook

Further expansion of Zagreb office market is expected in the following period, with several office schemes in construction phase or announced for development. After completion of the first phase of Matrix Office Park, totalling 10,000 sq m of GLA, GTC is currently working on expansion of its portfolio, i.e. the second phase of Matrix complex is under construction and should be completed in Q4 2019, while the same investor announced development of another office project, named Seven Gardens and totalling 100,000 sqm GBA. Leading local IT company Infobip announced the development of its campus and the construction should commence by the end of 2019.



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